

Central Intelligence Agency



Washington, D.C. 20505

8
1 July 1983

MEMORANDUM FOR: Mr. Robert C. Reiley
Director, Non Ferrous Division
Bureau of Industrial Economics
Office of Basic Industries
U.S. Department of Commerce

SUBJECT : Comments on Alleged Recent Soviet Nickel
Sales Through West Germany to Avoid
U.S. Import Fees on Soviet Nickel

1. In response to your request on 23 June concerning the possibility that the Soviets are selling nickel through West Germany to avoid US import fees on Soviet nickel, we have prepared a brief unclassified assessment and provided some background information in the attachments that may help you. While Soviet trading of various metals is often shrouded in secrecy and their motives are often difficult to discern, we doubt that the Soviets are trying to avoid the US duty.

2. If we can be of any further assistance to you on this or any related matter, please contact

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Chief
Industry and Transportation Branch

Attachments:
As Stated

Has received appropriate
coordination with DCD, EURA.

SOV M 83-10122

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West Germany to Avoid U.S. Import Fees on Soviet Nickel

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sova/SE/I: (30 Jun 83)

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ATTACHMENT

1. Over the last couple of months, plates of Soviet nickel have probably been sold to US companies by West German firms. These plates were probably cut in West Germany and shipped to the US, arriving at east coast and Great Lake ports. While we do not have information regarding prices and quantities, we believe that the total amount of Soviet nickel sold to the US this year has not been very large.

2. Although it is possible, we have no direct evidence that the Soviets have sold this nickel through West Germany to avoid US import fees. However, with current market prices at \$2.25 to \$2.50 (US) per pound and a US duty of \$.03 per pound, the Soviets would realize only a one percent savings by trying to circumvent payment of the duty. There is some possibility that the Soviets are unaware that the nickel is being sold on the US market. The Soviets have a history of exporting nickel to West Germany for hard currency and may not care where it goes after that. Exports of Soviet nickel directly to the US have been fairly small so far in 1983, however, direct exports undoubtedly will increase as a result of the seven percent duty (\$.14 to \$.16 per pound) imposed on Soviet nickel by the EEC effective June 17, 1983.

3. We can give you some background information on West German and Soviet nickel trade that may help you. The West German nickel industry imports raw nickel, mostly ingots, matte and scrap and produces semimanufactured nickel such as rods and wire. The largest sources of West German nickel imports are from the USSR, US, United Kingdom and Australia. In 1982, West Germany imported 12,996 metric tons of nickel from the Soviet Union, about twice the amount imported in 1981. The attached table shows estimated Soviet nickel production and net nickel trade from 1970 to 1982.

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TABLE

Soviet Nickel Production and Net Exports,
1970-1982 (thousands metric tons)

| <u>Year</u> | <u>Production</u> | <u>Net Exports</u> |
|-------------|-------------------|--------------------|
| 1970 | 137 | 19 |
| 1971 | 148 | 22 |
| 1972 | 156 | 12 |
| 1973 | 175 | 20 |
| 1974 | 200 | 28 |
| 1975 | 210 | 13 |
| 1976 | 215 | 11 |
| 1977 | 219 | 11 |
| 1978 | 223 | 22 |
| 1979 | 227 | 26 |
| 1980 | 229 | 22 |
| 1981 | 235 | 22 |
| 1982 | 250 | N.A. |

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